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Editor's Notes

Rendering Unto Caesar

"The problem is to find a form of association which will defend and protect with the whole common force the person and goods of each associate, and in which each, while uniting himself with all, may still obey himself alone, and remain as free as before." This is the fundamental problem of which the Social Contract provides the solution.

Thus Jean Jacques Rousseau in 1762 identified that necessary, although sometime unpalatable, alliance that the citizenry must observe in the interest of individual survival. Like it or not, one cannot live alone. In return for benefits of the social scheme the citizen has to abide by certain laws, yield some independence, and pay taxes.

The uneasy contract goes way back. The Old Testament (II Kings 23:35) recounts that "He (King Jehoiakim) exacted the silver and the gold of the people of the land, everyone according to his taxation, to give it unto Pharaoh-necoh."

Early tax collection was confiscatory and harsh with no regard for social consequences. Sophistications of stimulation, or contraction, of the economy by means of tax leverage were centuries away. So were tax loopholes and concepts of earned and unearned income, tax shelters, accelerated depreciation, tax deferrals and all the array of computations that keeps the accounting profession so gainfully employed. The common factor that persists through the ages is hatred of the tax and tax-collector.

Now that the Economic Recovery Tax Act of 1981 is evoking visions of a few wispy sugar plum fairies for a tax-weary nation it is entertaining to review some of the early feints and

strategems during the classic conflict between taxpayers and tax-collectors.

The traveler along the Loire Valley in France sees doorways and windows flush with the rising riverbank, but with no other structural parts in view. One assumes the obvious: they are dug out caves for storing wine flowing from the abundant grape harvest in the countryside. And storages they are, but these cavelike entries survive from a much earlier day when the wily farmers avoided a French tax levied on square footage of roof by simply having no roof to their dwellings other than the land atop the valley embankment. Those Loire wine growers had a literal tax shelter.

Land was the basis of taxation in medieval Europe but titled nobles, as fighters for the protection of the king, were exempt, as were the officials because they were so poorly paid, and as also were the clergy since they defended the kingdom's spiritual welfare. The noble, however, was expected to provide a small garrison of knights for internal defense, meanwhile collecting taxes of goods and services from the vassals who worked his land in exchange for safe occupancy. Default of fealty meant that a serf was turned out to starve, while a defaulting noble lost support of the monarch and his lands became fair prey for covetous neighboring dukes who comprised the rest of the king's hierarchy. A rigorous social contract; small wonder that intrigue and treachery were popular forms of tax/service evasion.

The Church held the keys to the kingdom of heaven and besides that was, in effect, the State fully as much as the king, so its fund raising had all the marks of taxation. A cut was

taken from altar collections, dues were collected from papal fiefdoms, and fees were charged for all rites of passage as well as for pardons from sin. Grace could be had for a price. Papal tax collectors, no worse than any of their contemporaries, were much more hated because of their claim to reverence. In fact, their acquisitiveness gave rise to one of the great social changes because ecclesiastical greed hastened the Reformation.

Even Fr. Pacioli, priestly patriarch of accounting, played an ambivalent game when it came to taxes. He piously admonished that truth should always be a businessman's guide, but wrote "Make the prices (costs) high rather than low. If it seems to you that something is worth 20; put it down at 24 ...". His elevation of the cost of goods sold to decrease taxes on profits would have made him a modern day supporter of LIFO.

Almost three hundred years later, American colonists ripped open 342 chests of tea from three English ships and threw them into Boston harbor, rather than pay taxes on the tea, thus performing one of history's ultimates in tax avoidance.

In 1981 the Reagan administration has enacted one of the most significant tax cuts in recent history. The move acknowledges a fact well known to economists: when taxes become onerous they produce less revenue, not more, because they retard the economy. Continuous escalation of taxes over four decades since World War II appeared to be killing the goose that laid the golden eggs. Whether or not a revival will ensue now, and the flow of golden eggs renew itself, only time can tell. What can be predicted with assurance is that as long as tax laws change, and change, and change again, there will be full employment for accountants.()

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